

LAKE STEVENS SCHOOL DISTRICT NO. 4
Snohomish County, Washington
September 1, 1991 Through August 31, 1992

Schedule Of Findings

1. Sick Leave Buy Back Charges Against Chapter 1 Should Be Proportional To Payroll Charges Against That Program

Our review of the district's Chapter 1 program revealed that the program had been charged for sick leave "buy back" upon the retirement of a district employee. The severance pay was composed of a current year portion and an historical accumulation.

Since the employee had charged 25 percent of his time to the Chapter 1 program during his last year of employment, this same percentage of his current year's sick leave was appropriately charged to the program.

This same distribution however, was applied to the historical accumulation of leave acquired prior to this last year even though the employee's time had not been charged to that program.

The U.S. Office of Management and Budget's Circular A-87 *Cost Principles For State and Local Government* (January 15, 1981) states under paragraph 4. "Policy intent" that it is federal policy that "federally-assisted programs bear their fair share of costs." Circular A-87 also categorizes allowable costs under Attachment B. The Attachment includes the following allowable charges under Section B. 10 "Compensation for personal services."

- a. General. Compensation for personal services includes all remuneration, paid currently or accrued for services rendered during the period of performance under the grant agreement, including but not necessarily limited to wages, salaries, and supplementary compensation and benefits . . . The costs of such compensation for individual employees: (1) is reasonable for the services rendered.

We are of the opinion that the Chapter 1 program should contribute to this employee's sick leave "buy back" only in an amount proportional to the time charged against that program.

Consequently, we are questioning \$2,464.64 in sick leave "buy back" which has been charged against this program representing 25 percent of the leave accumulated prior to his participation in the Chapter 1 program.

We recommend that district officials establish procedures to ensure that only appropriate portions of future severance pay is charged against federal programs.